

EXHIBIT 1

INTRODUCTION

Respondent Paul V. Gallegos was a first-time successful candidate for District Attorney of Humboldt County in a local election held on March 5, 2002. Respondent Paul V. Gallegos for District Attorney (the “Committee”) was the controlled committee of Respondent Gallegos. Respondent Stephen P. Arnot served as treasurer of Respondent Committee.

The Political Reform Act (the “Act”)¹ requires a candidate and his or her controlled committee to file periodic campaign statements disclosing contributions received and expenditures made. On campaign statements, the Act also requires a candidate and his or her controlled committee to disclose, among other things, the occupation and employer of contributors of \$100 or more, and to return within 60 days any contribution for which they do not have all required contributor information. In this matter, Respondents failed to disclose a \$2,500 late contribution in a properly filed late contribution report; failed to disclose occupation and employer information for 20 contributions of \$100 or more; failed to return contributions within 60 days of receipt, totaling \$6,835, for which they did not have occupation and employer information; and failed to timely file a post-election semi-annual campaign statement.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

- COUNT 1: Respondents Paul V. Gallegos, Paul V. Gallegos for District Attorney, and Stephen P. Arnot failed to disclose the receipt of a \$2,500 late contribution from John Frame in a properly filed late contribution report, by the February 27, 2002 due date, in violation of section 84203, subdivision (a).
- COUNT 2: Respondents Paul V. Gallegos, Paul V. Gallegos for District Attorney, and Stephen P. Arnot failed to disclose the occupation and employer information for eight contributions of \$100 or more totaling \$1,895 on a second pre-election campaign statement, for the reporting period January 20, 2002 through February 16, 2002, filed on or about February 21, 2002, in violation of section 84211, subdivision (f).
- COUNT 3: Respondents Paul V. Gallegos, Paul V. Gallegos for District Attorney, and Stephen P. Arnot failed to return within 60 days of receipt eight contributions of \$100 or more, totaling \$1,895, that were received during the second pre-election reporting period January 20, 2002 through February 16, 2002, and for which they did not have occupation and employer information, in violation of section 85700.
- COUNT 4: Respondents Paul V. Gallegos, Paul V. Gallegos for District Attorney, and

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. Commission regulations appear at title 2, California Code of Regulations section 18109 through 18997. All references to regulations are to title 2, division 6 of the California Code of Regulations.

Stephen P. Arnot failed to timely file a semi-annual campaign statement, for the reporting period February 17, 2002 through June 30, 2002, by the July 31, 2002 due date, in violation of section 84200, subdivision (a).

COUNT 5: Respondents Paul V. Gallegos, Paul V. Gallegos for District Attorney, and Stephen P. Arnot failed to return within 60 days of receipt twelve contributions of \$100 or more, totaling \$4,940, that were received during the semi-annual reporting period February 17, 2002 through June 30, 2002, and for which they did not have occupation and employer information, in violation of section 85700.

COUNT 6: Respondents Paul V. Gallegos, Paul V. Gallegos for District Attorney, and Stephen P. Arnot failed to disclose the occupation and employer of twelve contributions of \$100 or more totaling \$4,940 on a post-election semi-annual campaign statement, for the reporting period February 17, 2002 through June 30, 2002, filed on or about March 13, 2003, in violation of section 84211, subdivision (f).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns be fully and truthfully disclosed, in order for voters to be fully informed and improper practices inhibited. To that end, the Act sets forth a comprehensive campaign reporting system.

Section 82013, subdivision (a) defines a “committee” as any person or combination of persons who directly or indirectly receives contributions totaling \$1,000 or more in a calendar year. This type of committee is commonly referred to as a “recipient” committee. Under section 82016, subdivision (a), a recipient committee that is controlled directly or indirectly by a candidate is a “controlled committee.”

Section 84200 requires a candidate and his or her controlled committee to file two semi-annual campaign statements each year. The first semi-annual campaign statement covers the reporting period January 1 to June 30, and must be filed by July 31. The second semi-annual campaign statement covers the reporting period July 1 to December 31, and must be filed by January 31 of the following year.

Section 84200.5, subdivision (a) requires a candidate and his or her controlled committee to file two pre-election campaign statements before an election in which the candidate appears on the ballot. For elections held on a date in other than June or November of an even-numbered year, section 84200.8 requires that the first pre-election campaign statement for the reporting period ending 45 days before the election be filed no later than 40 days before the election, and that the second pre-election campaign statement for the reporting period ending 17 days before the election be filed no later than 12 days before the election.

Under section 84203, subdivision (a), when a candidate and his or her controlled committee receives a late contribution, the candidate and the committee must file a late

contribution report disclosing the contribution within 24 hours of receiving the contribution. Section 82036 defines a “late contribution” as a contribution aggregating \$1,000 or more that is received before an election, but after the closing date of the last pre-election campaign statement that is required to be filed. Under section 84200.8, for an election held on a date other than June or November of an even-numbered year, the late contribution reporting period covers the last 16 days before the election.

Section 84211, subdivision (f) requires a candidate and his or her controlled committee to report on each of their campaign statements the following information about a person if the cumulative amount of contributions received from that person is \$100 or more and a contribution has been received from that person during the reporting period covered by the campaign statement: (1) the contributor’s full name; (2) the contributor’s street address; (3) the contributor’s occupation; (4) the name of the contributor’s employer, or if self-employed, the name of the contributor’s business; (5) the date and amount of each contribution received from the contributor during the reporting period; and (6) the cumulative amount of contributions received from the contributor. As required by section 85700, subdivision (a), a candidate must return within 60 days of receipt any contribution of \$100 or more for which the candidate does not have on file in his or her records the name, address, occupation, and employer of the contributor.

As required by section 85700, subdivision (a), a candidate must return within 60 days of receipt any contribution of \$100 or more for which the candidate does not have on file in his or her records the name, address, occupation, and employer of the contributor.

Under section 84100 and regulation 18427, subdivision (a), it is the duty of a committee’s treasurer to ensure that all requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds, are complied with. A committee’s treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

SUMMARY OF THE FACTS

Respondent Paul V. Gallegos was a first-time successful candidate for District Attorney of Humboldt County in a local election held on March 5, 2002. During the election, Respondents Gallegos and Committee received contributions totaling \$44,007, and made expenditures totaling \$43,978. Respondent Arnot, as treasurer for the Respondent Committee, prepared, reviewed and signed all campaign statements.

COUNT 1

Failure to Timely Disclose Late Contribution in Late Contribution Report

Respondent Gallegos, as a candidate, Respondent Committee, as a controlled committee, and Respondent Arnot, as a treasurer, had an obligation to disclose when they received a late contribution by filing a late contribution report within 24 hours of receiving the late contribution. The late contribution reporting period for the March 5, 2002 election was February 17, 2002 through March 4, 2002.

On February 26, 2002, Respondents received a late contribution from John Frame in the amount of \$2,500. Respondents were required to disclose the late contribution in a properly filed late contribution report by February 27, 2002. Respondents, however, did not disclose the late contribution in a properly filed late contribution report by the February 27, 2002 due date.

By failing to disclose a \$2,500 late contribution on a properly filed late contribution report, Respondents violated section 84203, subdivision (a). On March 25, 2002, after the March 5, 2002 election, Respondents ultimately disclosed the late contribution in a delinquent late contribution report filed 26 days after the filing due date.

COUNTS 2 and 6

Failure to Disclose Occupation and Employer Information

Respondents Gallegos, as a candidate, Respondent Committee, as a controlled committee, and Respondent Arnot, as a treasurer, had a duty to disclose the occupation and employer of each individual who contributed \$100 or more to the campaign of Respondent Gallegos.

On February 21, 2002, Respondents filed a second pre-election campaign statement for the reporting period January 20, 2002 through February 16, 2002. During the second pre-election reporting period, Respondents received 17 contributions of \$100 or more totaling \$3,633. Of those 17 contributions, Respondents did not disclose occupation and employer information for eight contributions totaling \$1,895.

On March 13, 2003, Respondents filed a post-election semi-annual campaign statement for the reporting period February 17, 2002 through June 30, 2002. During the semi-annual reporting period, Respondents received 21 contributions of \$100 or more totaling \$6,440. Of those 21 contributions, Respondents did not disclose occupation and employer information for 12 contributions totaling \$4,940.

By failing to disclose occupation and employer information for 20 contributions totaling \$6,835 on two separate campaign statements, Respondents committed two violations of section 84211, subdivision (f).

COUNTS 3 and 5

Failure to Return Contributions Due to Lack of Contributor Information

Respondent Gallegos, as a candidate, Respondent Committee, as a controlled committee, and Respondent Arnot, as a treasurer, had a duty to return within 60 days of receipt any contribution of \$100 or more for which they did not have the name, address, occupation, and employer of the contributor.

On February 21, 2002, Respondents filed a second pre-election campaign statement for the reporting period January 20, 2002 through February 16, 2002. During the second pre-election reporting period, Respondents received 17 contributions of \$100 or more totaling

\$3,633. Of those 17 contributions, Respondents did not have occupation and employer information for eight contributions totaling \$1,895, and did not return the eight contributions within 60 days of receiving the contributions despite having insufficient information regarding the contributions.

On March 13, 2003, Respondents filed a post-election semi-annual campaign statement for the reporting period February 17, 2002 through June 30, 2002. During the semi-annual reporting period, Respondents received 21 contributions of \$100 or more totaling \$6,440. Of those 21 contributions, Respondents did not have occupation and employer information for 12 contributions totaling \$4,940, and did not return the 12 contributions within 60 days of receiving the contributions despite having insufficient information regarding the contributions.

By failing to return 20 contributions of \$100 or more totaling \$6,835 for which they did not have sufficient contributor information and that were received during two separate reporting periods, Respondents committed two violations of section 85700. As a condition of this stipulation, Respondents have obtained the necessary occupation and employer information for the 20 contributions and have disclosed that information on amended campaign statements.

COUNT 4

Failure to Timely File Post-election Semi-annual Campaign Statement

After the March 5, 2002 election, Respondent Gallegos, as a candidate, Respondent Committee, as a controlled committee, and Respondent Arnot, as a treasurer, had a duty to file a semi-annual campaign statement for the reporting period February 17, 2002 through June 30, 2002, by July 31, 2002. However, Respondents did not file the required campaign statement by the July 31, 2002 due date.

By failing to timely file a post-election semi-annual campaign, Respondents violated section 84200, subdivision (a).

On March 13, 2003, Respondents ultimately filed the late semi-annual campaign statement approximately seven months after the filing due date. On the semi-annual campaign statement, Respondents disclosed contributions totaling \$8,025, and expenditures totaling \$21,991.

CONCLUSION

This matter consists of six counts of violating the Act, which carry a maximum administrative penalty of \$5,000 per violation, for a total of \$30,000.

Regarding Count 1, the typical stipulated administrative penalty for failing to disclose a late contribution in cases resolved outside the Commission's Streamlined Late Contribution Enforcement Program is 15 to 25 percent of the amount of the undisclosed contribution, depending upon the circumstances of the violation. In this matter, as the amount of the undisclosed late contribution is relatively low, imposition of an administrative penalty at the lower end of the penalty range in the amount of \$500 is appropriate.

Regarding Counts 2 and 6, the typical stipulated administrative penalty for the failure to disclose occupation and employer information has ranged from \$1,000 to \$2,000, depending on the circumstances of the case. In this matter, although Respondent Paul Gallegos was a first-time candidate, he was a candidate for District Attorney, an office designated as the criminal prosecutor for violations of the Act. Due to the nature of the office for which Respondent was running, imposition of an administrative penalty at the middle of the settlement range, in the amount of \$1,500 per violation, is appropriate.

Regarding Counts 3 and 5, the Commission has not yet established a typical stipulated administrative penalty for the failure to return contributions for which the recipient does not have all required information regarding the contributor. Although the total monetary amount of the contributions for which Respondents had insufficient information was relatively low, those contributions comprised for more than 50 percent of the funds raised during the second pre-election and post-election semi-annual reporting periods. As such, imposition of a penalty around the middle of the penalty range, in the amount of \$2,250 per violation, is appropriate.

Regarding Count 4, the typical stipulated administrative penalty for the failure to timely file a post-election semi-annual campaign statement has ranged from \$1,500 to \$2,500, depending on the circumstances of the case. In this matter, as Respondents engaged in significant financial activity during the semi-annual reporting period, imposition of an administrative penalty at the upper end of the penalty range in the amount of \$2,000 is appropriate.

Accordingly, the facts of this case justify a total administrative penalty of \$10,000.